

Tax Transparency Report 2019

Contents

Introduction	3
Overview	3
Approach to tax	4
Tax Governance Policy	4
Tax risk and compliance management	4
ATO Justified Trust and assurance report	5
International related parties	5
Tax reconciliations	6
Income tax expense reconciliation	6
Effective tax rate	6
Reconciliation of income tax expense to current tax liability	6
Taxes borne and collected	7
Taxes borne and collections on behalf of Governments	7



Australia Post acknowledges the Traditional Custodians of the land on which we operate, live and gather as employees, and recognises their continuing connection to land, water and community. We pay respect to Elders past, present and emerging.

Introduction

The Australia Post Group is committed to strong tax governance practices. This Tax Transparency Report is published on a voluntary basis as part of our commitment to improved tax disclosure. The report includes information recommended to be disclosed under the Australian Voluntary Tax Transparency Code (TTC). The TTC is a set of principles and minimum standards to guide medium and large businesses on public disclosure of tax information.

Overview

We manage our taxation affairs in accordance with the Group Risk Management Framework. Forming part of the Framework, the Tax Governance Policy outlines the framework and methodology for applying a risk based approach to managing our taxation affairs and our relationship with revenue authorities. We maintain a comprehensive system of corporate governance practices designed to provide appropriate levels of disclosure and accountability. We are committed to providing our stakeholders, customers and communities with transparent disclosure of our tax affairs.

Providing greater tax transparency

This Tax Transparency Report complies with the standard of disclosure expected of 'large businesses' under the TTC. It includes information in relation to our approach to tax governance and tax risk management and international related party dealings. In addition, this report provides information on the Australia Post Group accounting effective tax rate, the relationship between accounting profit and our income tax liability and tax contributions and collections. This report should be read in conjunction with the Annual Report for the year ended 30 June 2019 (2019 year).

Improving everyday

We continue to review our tax transparency reporting and implement stakeholder feedback together with industry and regulatory developments. We look to maintain and help develop best practice in tax transparency reporting to better serve the communities in which we operate.

Basis of preparation

Tax payments are presented on a cash paid basis for the 2019 year for all operations across all countries. Those tax payments made by entities accounted for as equity investments are excluded. Consistent with the Annual Report, comparative information has been adjusted, where required, for consistency with the current year's presentation.



Approach to tax

In pursuing the Australia Post corporate strategy, we abide by our Tax Governance Policy to ensure full and transparent compliance with all taxation obligations.

Tax Governance Policy

The Australia Post Tax Governance Policy operates as part of the wider Board-approved Group Risk Management Framework.

Tax Governance Principles

The core drivers of our Tax Governance Policy are:

1. **Maintain full compliance** – we will ensure full compliance with all statutory tax obligations and seek to pay the legally correct amount of tax wherever the Australia Post Group operates;
2. **Maximise shareholder value** – we will manage the tax affairs of the Australia Post Group in a proactive manner and seek to maximise shareholder value in relation to the taxation consequences of implementing the overall group strategy;
3. **Manage risk** – we will maintain documented policies, procedures and positions in relation to tax risk consequences of business strategy within the Group's Risk Management Framework, taking into account the implications for the Group's corporate reputation as a trusted iconic brand. All identified risks and tax exposures will be tracked and reported to the Group Chief Financial Officer where material;
4. **Maintain openness and transparency** – we will maintain an open and honest relationship with revenue authorities and consult appropriately with them in accordance with the Australia Post's Tax Code of Conduct;
5. **Build assurance** – we will provide the Board, Group Chief Executive Officer and Managing Director, Group Chief Financial Officer, senior management and other key internal and external stakeholders with assurance that the Australia Post Group's tax is being managed in accordance with its tax policies.

Tax risk and compliance management

We apply a risk based approach to key activities in the corporate tax function. We adopt a strong control framework to identify, mitigate and control tax risks and refrain from undertaking aggressive tax planning. We proactively manage our business and tax affairs in accordance with the Group Tax Governance Policy.

Our taxation program is aligned with the Board approved Group Risk Appetite Statement requirements that we will be open, transparent and proactive in engaging with regulators, will comply with all relevant laws and regulations, and there being no tolerance for any deliberate non-compliance with regulatory obligations.

We strive to maintain collaborative and trusted relationships with the ATO and other revenue authorities and we are committed to full compliance and transparent disclosure with respect to our tax affairs. We participate in an annual Pre-Lodgement Compliance Review Program with the ATO and continue to adopt real-time communication with tax authorities.



ATO Justified Trust and assurance report

Under its Key Taxpayer Engagement approach the ATO seeks to establish 'Justified Trust' on an evidence-based approach to:

- understand a taxpayer's tax governance framework, significant and new transactions and why the accounting and tax results vary; and
- identify tax risks flagged to the market.

The ATO's review of the Australia Post Group under the Justified Trust approach has been completed for the 2017 income year and it is in progress for the 2018 income year. The Tax Assurance Report issued for the 2017 income year indicates that Australia Post has demonstrated a 'Medium trending to High' level of assurance and a 'Stage 2' level of assurance with respect to Tax Governance. By way of context, as at 28 February 2019, of the 64 assurance ratings given to the Top 100 Group of taxpayers, the majority (64 per cent) were 'Medium,' 13 per cent were 'Medium to High,' 5 per cent were 'High' and the remainder were 'Low'/'Medium.'¹

Australia Post's objective is to facilitate the ATO achieving a high level of 'Justified Trust.' Doing so means the ATO will have obtained the highest degree of assurance that Australia Post has paid the 'right' amount of Australian tax.

International related parties

We have been investing in our international subsidiaries and partnerships to strengthen our warehousing and international freight-forwarding capabilities in various international markets. This is part of our strategy for future growth as an eCommerce business with a focus on the burgeoning Asian market.

Our international related party dealings generated less than 1 per cent of our consolidated revenue in the 2019 year. Our dealings with these international related parties are conducted in a manner consistent with the arm's length principle and reflect the commercial nature of the transactions.



¹ Source - ATO Justified Trust Workshop March 2019.

Tax reconciliations

The reconciliation of accounting profit to income tax expense and tax payable, as described in the 2019 Annual Report.

Income tax expense reconciliation

	2019 \$m	2018 \$m
Accounting profit before income tax	41.1	125.7
At the Australian statutory tax rate (30%)	12.3	37.7
Adjustments relating to prior years	(0.7)	(4.7)
Pre-CGT property disposals and revaluations	(3.9)	(47.3)
Accounting impact of investment disposals and revaluations	(8.5)	–
Sundry items	1.3	5.8
Income tax expense / (benefit)	0.5	(8.5)

Effective tax rate

	2019 \$m	2018 \$m
Profit from ordinary activities before income tax expense	41.1	125.7
Less: Post-tax share of results of equity accounted investments	(1.6)	(6.3)
(A) Adjusted profit before income tax expense	39.5	119.4
(B) Income tax expense	0.5	(8.5)
Effective tax rate (B/A)	1.3%	(7.1%)

Reconciliation of income tax expense to current tax liability

	2019 \$m	2018 \$m
Income tax expense / (benefit) in the consolidated income statement	0.5	(8.5)
Add/(subtract):		
Deferred tax assets and liabilities charged to income	7.9	30.4
Over provision in prior years (income tax expense impact)	0.7	4.7
Current tax expense included in income tax expense/(benefit)	9.1	26.6
Add/(subtract):		
Net opening balance carried forward	36.3	85.2
Income tax payments	(55.2)	(68.5)
Over provision in prior years (current tax impact)	(9.0)	(6.0)
Other	1.9	(1.0)
Net current tax liability / (asset)	(16.9)	36.3

Taxes borne and collected

Contributions and collections of taxes and duties to Federal and State Governments.

Taxes borne and collections on behalf of Governments

Taxes and duties borne

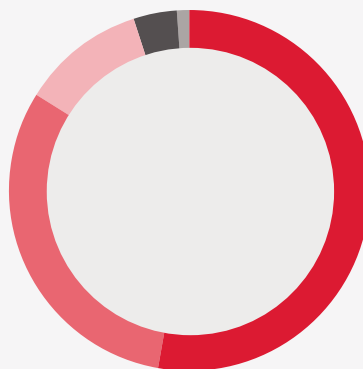
	2019 \$m	2018 \$m
Income Tax	55.2	68.5
GST (net GST paid)	263.6	267.7
Payroll Tax	150.7	145.9
Fringe Benefits Tax	6.7	6.4
Land Tax	19.8	18.1
Stamp Duty	0.1	0.1
Total	496.1	506.7

Taxes collected on behalf of Governments

	2019 \$m	2018 \$m
GST	639.4	630.1
PAYG Withholding	620.1	602.8
Total	1,259.5	1,232.9

Taxes and duties borne

● GST (net GST paid)	53%
● Payroll Tax	31%
● Income Tax	11%
● Land Tax	4%
● Fringe Benefits Tax	1%
● Stamp Duty	0%



Taxes collected

● GST	51%
● Employee withholding	49%



